NEW HAMPSHIRE HOUSING

Home First Program

Recapture Disclosure Statement

INSTRUCTIONS:

All Applicant(s) must review and execute this Recapture Disclosure Statement at the time of the Home First application to understand their potential recapture tax liability. A Loan Agreement and Affidavit will be provided to you on the date of closing by the Lender and must be signed. New Hampshire Housing will mail to you the Federal Threshold Income Limits and other recapture information within 90 days after closing.

INTRODUCTION:

Because you are receiving a mortgage loan from the proceeds of a tax-exempt bond, you are receiving the benefit of an interest rate that is lower than is customarily charged on other mortgage loans. If you sell or otherwise dispose of your home during the next nine years, this benefit may be "recaptured." The recapture is accomplished by an increase in your federal income tax for the year in which you sell your home.

The recapture only applies if all three of the following occur:

1. sell (or dispose of) the residence prior to the nineth anniversary of the closing date, and
2. make a profit on the sale, and
3. exceed the Federal Threshold Income Limit based on your Modified Adjusted Gross Income for the year in which the sale occurs.

In the following situations, no recapture tax is due:

1. The property is sold nine (9) or more years after the date the loan is closed,
2. There is no profit on the sale of the property, or
3. At the time you sell the property, your Modified Adjusted Gross Income is below the federal income limits.

You may wish to consult a tax advisor or the local office of the Internal Revenue Service at the time you sell your home to determine the amount, if any, of the recapture tax.

RECAPTURE TAX CALCULATION:

The actual recapture tax, if any, can only be determined when you sell your home, but in no circumstances will the recapture tax exceed 6.25% of the original loan amount, the “Maximum Recapture Tax”. The actual Recapture Tax will be the lesser of (1) 50% of your gain on the sale of your home, regardless of whether you include that gain in your income for federal income tax purposes, or (2) the Adjusted Recapture Amount.

The Adjusted Recapture Amount can be calculated by multiplying the original amount borrowed by the following three numbers: (Maximum Recapture Tax) x (Holding Period Percentage) x (Income Percentage).

Maximum Recapture Tax: 6.25%

Holding Period Percentage (year in which the home is sold):

Year 1	20%	Year 4	80%	Year 7	60%
Year 2	40%	Year 5	100%	Year 8	40%
Year 3	60%	Year 6	80%	Year 9	20%

Income Percentage: Calculate the "Modified Adjusted Gross Income" for the taxable year in which you, the mortgagor, sell your home. A mortgagor is defined as a person who both owns the residence and who executes the mortgage. This is calculated by using the Adjusted Gross Income from IRS form 1040 with the following two adjustments: (a) your adjusted gross income must be increased by the amount of any interest that you receive or accrue in the taxable year from tax-exempt bonds that is excluded from your gross income (under section 103 of the Internal Revenue Code); and (b) your adjusted gross income must be decreased by the amount of any gain included in your gross income by reason of the sale of your home.

1. Adjusted Gross Income from IRS 1040 $ ___________
2. Tax exempt income earned for the year +___________
3. Gain on sale of the home - ___________
4. Modified Adjusted Gross Income = $ ___________

Subtract the federal threshold income, which can be found on our website (NHhomeownership.org) from your Modified Adjusted Gross Income. If the result is zero or less, you owe no recapture tax. If it is $5,000 or more, your income percentage is 100%. If it is greater than zero but less than $5,000, it must be divided by $5,000. This fraction, expressed as a percentage, represents your income percentage. For example, if the fraction is $1,000/$5,000, your income percentage is 20%.

This material has been prepared for informational purposes only. It is neither intended as, nor should be relied upon for tax, legal or accounting advice. You should consult your own tax, legal and accounting advisors.

LIMITATIONS AND SPECIAL RULES ON RECAPTURE TAX:

If you give away your home (other than to your spouse or ex-spouse pursuant to divorce), you must determine your actual recapture tax as if you had sold your home for its fair market value.

If your home is destroyed by fire, storm, flood or other casualty, there is generally no recapture tax provided you replace the home for use as your principal residence on its original site within 2 years after the end of the tax year when the destruction happened.

In general, if two or more persons own a home and are jointly liable for the subsidized mortgage loan, the actual recapture tax is determined separately for them based on their interests in the home.

Refinancing your mortgage does not eliminate the potential recapture tax. If you refinance your loan, no recapture tax is due at the time of refinancing, but if you sell or transfer your house within the first nine years of ownership, the potential for recapture exists.

Other special rules may apply in particular circumstances. You may wish to consult with a tax advisor or the local office of the Internal Revenue Service when planning to sell or otherwise dispose of your home to determine the amount, if any, of your actual recapture tax. See section 143(m) of the Internal Revenue Code generally.

SIGNATURES ON FOLLOWING PAGE

By signing this document, the Applicant(s) acknowledges receipt of this disclosure and understands the statements within.

Signature Date	Signature Date
Name (Printed)	Name (Printed)
Signature Date	Signature Date
Name (Printed)	Name (Printed)